

ORIGINAL

OPEN MEETING ITEM



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GARY PIERCE - Chairman
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ARIZONA CORPORATION COMMISSION

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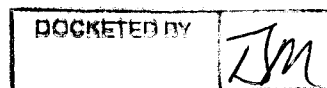
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JUN 29 2012

DATE: JUNE 29, 2012

DOCKET NO.: E-01787A-11-0186

TO ALL PARTIES:



Enclosed please find the recommendation of Administrative Law Judge Teena Jibilian. The recommendation has been filed in the form of an Opinion and Order on:

NAVOPACHE ELECTRIC COOPERATIVE, INC.
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

JULY 9, 2012

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

JULY 18, 2012 AND JULY 19, 2012

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 GARY PIERCE – Chairman
4 BOB STUMP
5 SANDRA D. KENNEDY
6 PAUL NEWMAN
7 BRENDA BURNS

8 IN THE MATTER OF THE APPLICATION OF
9 NAVOPACHE ELECTRIC COOPERATIVE, INC.,
10 FOR A DETERMINATION OF THE FAIR VALUE
11 OF ITS PROPERTY FOR RATEMAKING
12 PURPOSES, TO FIX A JUST AND REASONABLE
13 RETURN THEREON AND TO APPROVE RATES
14 DESIGNED TO DEVELOP SUCH RETURNS.

DOCKET NO. E-01787A-11-0186

DECISION NO. _____

OPINION AND ORDER

10 DATES OF HEARING: April 23 (Pre-hearing Conference) and 26, 2012

11 PLACE OF HEARING: Phoenix, Arizona

12 ADMINISTRATIVE LAW JUDGE: Teena Jibilian

13 APPEARANCES: Mr. William P. Sullivan, CURTIS, GOODWIN,
14 SULLIVAN, UDALL & SCWAB, PLC, on behalf of
Applicant Navopache Electric Cooperative, Inc.;

15 Mr. Jarrett J. Haskovec, LUBIN & ENOCH, PC, on
16 behalf of Local Union 387, International Brotherhood of
Electrical Workers, AFL-CIO; and

17 Mr. Scott Hesla, Staff Attorney, Legal Division, on
18 behalf of the Arizona Corporation Commission Utilities
Division.

19 **BY THE COMMISSION:**

20 * * * * *

21 Having considered the entire record herein and being fully advised in the premises, the
22 Commission finds, concludes, and orders that:

23 **FINDINGS OF FACT**

24 **Procedural History**

25 1. On April 29, 2011, Navopache Electric Cooperative, Inc. (“Navopache” or
26 “Company”) filed with the Arizona Corporation Commission (“Commission”) an application for a
27 determination of the fair value of its property for ratemaking purposes, to fix a just and reasonable
28 return thereon and to approve rates designed to develop such return.

1 2. On May 27, 2011, Navopache filed a letter to the Commission's Utilities Division
2 ("Staff") indicating its agreement to prepare and file a supplement to its rate application.

3 3. On July 7, 2011, Navopache filed Supplemental Direct Testimony and Schedules.
4 Included in the supplemental filing were the prefiled direct testimonies of David W. Hedrick and
5 Rebecca A. Payne. A cost of service study was included in Ms. Payne's prefiled direct testimony.

6 4. On July 26, 2011, Invenergy Wind Development, LLC ("Invenergy") filed a Petition
7 for Leave to Intervene.

8 5. On August 4, 2011, Navopache filed its Opposition to Intervention of Invenergy.

9 6. Also on August 4, 2011, Navopache filed a Notice of Filing Revised Schedules.

10 7. On August 8, 2011, Staff filed a Letter of Sufficiency indicating that Navopache's
11 filing, with the information filed on May 27, 2011 and July 7, 2011, met the sufficiency requirements
12 of Arizona Administrative Code ("A.A.C.") R14-2-103. The letter classified Navopache as a Class A
13 Utility.

14 8. On August 10, 2011, Local Union 387, International Brotherhood of Electrical
15 Workers, AFL-CIO ("IBEW Local 387") filed an Application to Intervene.

16 9. On August 12, 2011, Invenergy filed its Reply to Navopache's Opposition to its
17 Petition.

18 10. On August 12, 2011, Navopache filed a Response to Invenergy's Reply.

19 11. Also on August 12, 2011, Staff filed a Proposed Schedule for Filing Dates and
20 Request for Procedural Order. Staff stated that Navopache was in agreement with Staff's proposed
21 schedule.

22 12. On August 19, 2011, a Procedural Order was issued denying Invenergy's Petition to
23 Intervene.

24 13. On August 22, 2011, Invenergy filed a Reply to Navopache's August 12, 2011
25 Response.

26 14. Also on August 22, 2011, a Rate Case Procedural Order was issued setting a hearing
27 on the application and setting associated procedural deadlines, and granting intervention to IBEW
28 Local 387.

1 15. On August 25, 2011, Navopache filed a Motion to Clarify/Amend August 22, 2011
2 Procedural Order.

3 16. On August 29, 2011, a Procedural Order was issued granting Navopache's request to
4 extend the deadline for provision of notice of the application and including requirements for
5 notification to customers who have elected to receive their bills by email.

6 17. On November 3, 2011, Navopache filed its Certification of Compliance with Public
7 Notice Requirements.

8 18. On February 1, 2012, Staff docketed the prefiled direct testimonies of Gerald Becker,
9 Prem K. Bahl, and Richard B. Lloyd.

10 19. Also on February 1, 2011, IBEW Local 387 docketed the prefiled direct testimony of
11 G. David Vandever.

12 20. On February 15, 2012, Staff docketed the prefiled direct testimony of J. Jeffrey
13 Pasquinelli.

14 21. On March 12, 2012, Navopache docketed the prefiled rebuttal testimonies of Charles
15 R. Moore and David W. Hedrick. Mr. Moore, Navopache's current CEO, adopted the prefiled direct
16 testimony of Mr. David Plumb, Navopache's past CEO, which had been filed with the application on
17 April 29, 2011.

18 22. On April 4, 2012, Staff docketed the prefiled surrebuttal testimonies of J. Jeffrey
19 Pasquinelli and Richard B. Lloyd.

20 23. Also on April 4, 2012, IBEW Local 387 docketed a Notice of Filing indicating that it
21 did not intend to file any surrebuttal testimony in this docket.

22 24. On April 17, 2012, Navopache docketed the prefiled rejoinder testimony of Charles R.
23 Moore.

24 25. Also on April 17, 2012, Navopache docketed a Request to Allow Telephonic
25 Appearances of Witnesses at Hearing.

26 26. On April 24, 2012, Navopache, IBEW Local 387, and Staff docketed summaries of
27 their witness' testimonies.

28 27. On April 23, 2012, a prehearing conference convened as scheduled. Navopache,

1 IBEW Local 387, and Staff appeared through counsel, and indicated that the substantive issues in the
2 case had been resolved.

3 28. During the prehearing conference, the scheduling of witnesses for the hearing was
4 discussed. The parties stated that they were willing to stipulate to the admission of all prefiled
5 testimony. No party objected to Navopache's previously filed request for two of its witnesses,
6 consultants retained by Navopache to assist in the preparation of its rate application, to appear
7 telephonically from out of state. IBEW Local 387 stated that it supported the request, and Staff
8 indicated that it did not anticipate having any cross examination questions for those witnesses.
9 Navopache and Staff also indicated that they did not anticipate having any cross examination
10 questions for the IBEW Local 387 witness. Navopache's request for telephonic appearance of two
11 of its witnesses was granted, and IBEW Local 387 was informed that its witness could also appear
12 telephonically.

13 29. On April 26, 2012, the hearing convened as scheduled before a duly authorized
14 Administrative Law Judge of the Commission. Navopache, IBEW Local 387, and Staff appeared
15 through counsel. Although no formal settlement agreement was presented, counsel for both the
16 Company and for Staff indicated at the outset of the hearing that they had reached resolution of all
17 issues in the case. Counsel for IBEW Local 387 stated that the requested rate relief should be granted
18 to ensure that Navopache is able to offer competitive wages and that Navopache remains financially
19 healthy. All prefiled testimony was admitted by stipulation of the parties.

20 30. At the hearing, one witness testified on behalf of Navopache, and three witnesses
21 testified on behalf of Staff. All parties were provided an opportunity to present witnesses and cross-
22 examine all witnesses on the prefiled testimonies. At the close of the evidentiary hearing, Navopache
23 was directed to file final schedules, and a deadline was set for the parties to file any response to the
24 final schedules within five days of that filing.

25 31. On May 4, 2012, Navopache filed its final schedules, consisting of (1) Post-Hearing
26 Issues Matrix, indicating resolution of all significant issues in the case; (2) Becker Schedule GWB-1,
27 Revenue Increase Summary being jointly recommended by Staff and Navopache; (3) Summary of
28 Rates being jointly recommended by Staff and Navopache; and (4) List of Fees and Charges jointly

1 recommended by Staff and Navopache. In the filing, counsel for Navopache indicated that Staff had
2 reviewed the final schedules, and authorized him to represent that Staff did not intend to file any
3 comments thereon. No comments to the final schedules were filed.

4 **Description of Navopache**

5 32. Navopache, a tax exempt 501(C)(12) cooperative, was formed in 1946 and is now a
6 Class A Arizona public service corporation providing electric distribution service to member-
7 customers in parts of Navajo, Apache, Greenlee and Gila counties, pursuant to authority granted by
8 the Commission. Navopache also provides electric service to member-customers in Catron County,
9 New Mexico.

10 33. Navopache receives its power supply under an all-requirements contract with Public
11 Service Company of New Mexico. In addition, Navopache owns and operates 208 KW of grid-
12 connected photovoltaic renewable energy resources.

13 34. During the test year ended April 30, 2010, Navopache provided electric service to
14 approximately 38,146 customers in Arizona and 1,563 customers in New Mexico, for a total of
15 39,709 customers. Navopache operates approximately 263 miles of 69 kV sub-transmission lines and
16 3,478 miles of 14.4/24.9 kV distribution lines. Navopache's service area covers approximately
17 10,000 square miles and encompasses many mountainous areas with elevations of 5,000 to 11,000
18 feet. The White Mountain Apache Indian Tribe's reservation is located in Navopache's service area.

19 35. Navopache's current rates and charges are based on a test year ending October 31,
20 1999, and were approved by Commission Decision No. 64293 (December 28, 2001). Decision No.
21 64293 also approved Navopache's current Policy Manual.

22 **Navopache Proposals and Staff Recommendations**

23 36. The parties did not present a formal settlement agreement. However, at the hearing,
24 counsel for Navopache and Staff stated that they had reached agreement on all issues raised in the
25 application and prefiled testimony. Counsel for IBEW Local 387 stated at the hearing that
26 Navopache's requested rate relief should be granted, and did not object to, or propose any alternatives
27 to, Navopache or Staff's recommendations on any issues in this case. IBEW Local 387 did not
28 present any schedules in this proceeding.

1 Adjusted Test Year Rate Base, Operating Expenses and Operating Revenues

2 37. For the test year ended April 30, 2010, Navopache proposes, and Staff recommends
3 adoption of, an Original Cost Less Depreciation Rate Base ("OCRB") and Fair Value Rate Base
4 ("FVRB") of \$75,213,519; Adjusted Test Year Revenues of \$47,661,234; Adjusted Test Year
5 Operating Expenses of \$45,466,598; and Adjusted Test Year Operating Income of \$2,194,636.

6 Rate of Return

7 38. Navopache proposes, and Staff recommends, a 7.46 percent rate of return on FVRB.

8 Revenue Requirement

9 39. Navopache proposes, and Staff recommends, an increase in Operating Revenues of
10 \$3,413,663, to \$51,074,897, for a 7.46 percent return on Navopache's FVRB.

11 Cost of Service Study

12 40. Navopache performed a cost of service study described in the prefiled direct testimony
13 of Navopache witness Rebecca A. Payne, Hearing Exhibit A-2. Based on Staff's engineering
14 evaluation and analysis of Navopache's cost of service study results, Staff concluded that Navopache
15 has used its cost of service model for the bundled rate filing appropriately; that the cost of service
16 results are satisfactory; and that the cost of service model used by Navopache is consistent with what
17 the Commission approved for use in another cooperative rate case. Staff recommended that
18 Navopache's cost of service study be accepted.

19 TIER and DSC

20 41. Staff computed that with the proposed rates, Navopache would have a Times Interest
21 Earned Ratio ("TIER")¹ of 2.27 and a Debt Service Coverage ("DSC") ratio² of 1.84. Staff stated
22 that its recommended revenue would generate enough cash flow to service Navopache's debt and
23 comply with the DSC and TIER requirements of the National Rural Utilities Cooperative Finance

24
25 ¹ TIER represents the number of times operating income will cover interest on long-term debt. It is calculated by dividing
(1) operating margin after interest on long-term debt plus interest on long-term debt by (2) interest on long-term debt.
26 When the TIER is greater than 1.0, operating income is sufficient to cover interest expense.

27 ² DSC measures an entity's ability to generate cash flow to pay its debt service obligations (interest and principal) from
operating activities. It is calculated by dividing (1) earnings before interest, taxes, and depreciation expense by (2) the
28 principal and interest payments. When the DSC is greater than 1.0, operating cash flow is sufficient to cover debt
obligations.

1 Corporation ("CFC"), allow for reasonable contingencies, and support Navopache's plan to build
2 equity to at least the 30 percent level by 2019. Staff stated that with the recommended revenue,
3 Navopache's cash flow will be adequate to support the debt service requirements on the full amount
4 of the \$49,329,000 in financing authorized in Decision No. 72550 (August 24, 2011).

5 Rate Design

6 42. In prefiled direct testimony, Staff recommended an alternative rate design to the rate
7 design Navopache proposed in its application. In rebuttal and rejoinder prefiled testimony, the
8 Company disagreed with certain aspects of Staff's rate design recommendations, and took issue with
9 some computation errors. At the hearing, Staff presented Staff's Final Proposed Rate Design, set
10 forth in Hearing Exhibit S-8, which took into account Navopache's disagreements. Navopache
11 agreed with the rate design set forth in Hearing Exhibit S-8, and included that rate design in
12 Navopache's Post-Hearing Final Schedules.

13 Service Charges and Fees

14 43. At the hearing, Navopache presented a Policy Manual with an effective date of
15 January 1, 2012 as Hearing Exhibit A-6. Therein, Navopache proposed changes to its Policy Manual
16 to increase its establishment fee, from \$25 to \$50; to increase its insufficient funds fee, from \$25 to
17 \$30; to increase its meter test fee, from \$35 to \$50; and to increase its meter upgrade fee (at
18 customer's request), from \$25 to \$50. Staff noted that Navopache's labor, overhead and travel costs
19 for performing the tasks associated with each of these service fees exceed the proposed increased
20 fees, and agreed with the proposed fee increases. Navopache's Post-Hearing Final Schedules
21 included a schedule of fees with the proposed changes.

22 Line Extension Policy – Construction Allowance

23 44. Navopache proposed two changes to its Policy Manual in regard to its Line Extension
24 Policy. Navopache proposed a reduction to its construction allowance from \$1,500 to \$500, thereby
25 increasing the non-refundable customer contributions in aid of construction required of applicants for
26 new service, and reducing the amount of debt financing Navopache will incur. Staff agreed with the
27 proposal to reduce the construction allowance from \$1,500 to \$500.

28

1 Line Extension Policy –Meter and Transformer Costs

2 45. The second change Navopache proposed to its Policy Manual in regard to its Line
3 Extension Policy relates to treatment of meter and transformer costs when calculating the customer's
4 required contribution. Currently, Navopache excludes meter and transformer costs when calculating
5 the customer's required contribution. In prefiled testimony, Navopache proposed to begin including
6 the costs of meters and transformers in the required customer contribution charge. Staff disagreed
7 with Navopache's proposal. Staff stated that the meter should not be included because the costs of a
8 meter are usually included in a customer's monthly service charge. Staff further recommended, as it
9 has recommended for Arizona Public Service Company and Mohave Electric Cooperative, that
10 individual applicants not be required to pay for the cost of a transformer. At the hearing,
11 Navopache's witness Mr. Moore agreed with Staff that the costs of meters and transformers should
12 not be included when calculating the customer's required contribution charge under Navopache's
13 Line Extension Policy.

14 Line Extension Policy – Honoring of Written Line Extension Estimates

15 46. Staff recommended that any potential customer who has received the current line
16 extension free footage allowance estimate or quote by Navopache up to six months prior to this
17 Decision be given the line extension construction allowance currently specified in Navopache's
18 Policy Manual. At the hearing, Staff agreed with Navopache that written line extension estimates
19 provided by Navopache within six months of the date of this Decision should be honored, provided
20 that the prospective customer proceeds with construction of the line extension within either six
21 months of the date of the estimate, or 90 days of this Decision, whichever period of time is the
22 greater.

23 Bill Estimation Procedures Tariff

24 47. Navopache's Policy Manual does not include a procedure for estimating bills. Staff
25 recommended that Navopache be required to file in this docket, within 30 days of this Decision, for
26 Commission approval, a separate tariff describing its bill estimation methodologies. Staff
27 recommended that the tariff address the following terms and conditions:

- 28 1. Conditions under which estimated bills will be billed to customers;

1 2. Notice of estimation clearly noted on estimated bills that are rendered to
2 customers;

3 3. Estimation procedures that explicitly address the conditions and procedures for
4 estimated bills such as kWh estimates where: a) at least one year of premise history
5 exists for the same customer at the same premise or a new customer with at least one
6 year of premise history; b) less than one year of premise history for the same
7 customer at the same premise exists; c) less than one year of premise history exists
8 for a new customer but some premise history exists for a new customer; and d) no
9 prior consumption history exists;

10 4. Variations in estimation methods for differing conditions such as cases involving
11 meter tampering or damaged meters;

12 5. Conditions where bill estimations will be developed automatically or manually;

13 6. Conditions where special procedures may be required such as the installation of
14 meters with automatic reading capabilities, the need to estimate first and final bills,
15 and the requirement to use customer specific data to complete an estimate; and

16 7. Where applicable, clearly indicate that estimation procedures will be in
17 accordance with A.A.C. R14-2-210 and any other applicable section.

18 Navopache did not disagree with Staff's recommendation to file the Bill Estimation Methodologies
19 Tariff, but indicated that it would prefer to have 90 days to file the proposed tariff. Staff agreed that
20 90 days is reasonable.

21 System Upgrades

22 48. Based on Staff's engineering inspection of Navopache's electric system, Staff
23 concluded that Navopache is operating and maintaining its electrical system properly; is carrying out
24 system improvements, upgrades and new additions to meet current and projected load in an efficient
25 and reliable manner; has an acceptable level of system losses consistent with industry guidelines; and
26 has a satisfactory record of service interruptions in the historic period between 2006 and 2010,
27 showing an average of 3.48 outage hours per customer per year. Staff recommended that Navopache
28 continue to upgrade its 69 kV sub-transmission and distribution system to improve system
performance and reliability for its members. Staff further recommended that Navopache continue
with its wooden pole replacement program. Navopache agreed with Staff's recommendations.

29 Demand Side Management ("DSM") Adjustor Mechanism

30 49. The Commission's Electric Energy Efficiency Standards, A.A.C. R14-2-2401 *et seq.*
31 ("EEE Rules"), require utilities to file an implementation plan by June 1 in every odd year, although

1 the utility has the option to file annually. On June 1, 2011, Navopache filed its proposed 2012-13
2 EEE Implementation Plan and DSM Program in Docket No. E-01787-11-0229. In that filing,
3 Navopache included a request for approval of a DSM cost recovery tariff.

4 50. Staff recommended that a DSM adjustor mechanism be established in this rate case.
5 Staff believes that a DSM adjustor mechanism will provide flexibility to adjust the level of DSM
6 spending as new programs are added and current programs are adjusted between rate cases, while
7 also providing timely recovery of DSM costs. Staff stated that separating DSM costs from other
8 costs included in base rates promotes transparency and allows customers to see the costs of the DSM
9 programs; provides Navopache incentive to initiate programs at any time, without waiting for a rate
10 case; and protects customers from paying DSM costs not actually incurred by Navopache.

11 51. Staff recommended that the DSM adjustor mechanism be assessed on a per-kWh
12 basis, appearing as a separate line item on customer bills, showing the unit charge and the number of
13 kWh to which the charge applies. Staff recommended that the initial adjustor rate be the same as the
14 DSM cost recovery tariff ultimately approved by the Commission in Docket No. E-01787-11-0229,
15 and that subsequent changes to the adjustor rates be set in connection with each EEE Implementation
16 Plan submitted by Navopache and approved by the Commission pursuant to the EEE Rules, or as
17 otherwise ordered by the Commission. Navopache agreed with Staff's recommendations.

18 Renewable Energy Standard and Tariff ("REST") Adjustor Mechanism

19 52. Pursuant to the REST Rules, A.A.C. R14-2-1801 *et seq.*, Navopache currently has a
20 REST Tariff in place, approved in Decision No. 72383 (May 27, 2011). Navopache's 2012 REST
21 Implementation Plan is pending in Docket No. E-01787-11-0398. Staff recommended that the
22 Commission approve a REST adjustor mechanism for Navopache in this rate case, with the initial
23 adjustor rate set either at the rate approved in Decision No. 72383, or at the rate approved in Docket
24 No. E-01787-11-0398, if that approval comes before this Decision. Staff further recommended that
25 subsequent changes to Navopache's REST adjustor rates be set in connection with the annual
26 Renewable Energy Implementation Plan submitted by Navopache and approved by the Commission
27 pursuant to the REST Rules, or as otherwise ordered by the Commission. Navopache agreed with
28 Staff's recommendations.

1
2 **Conclusions**

3 53. Navopache's FVRB is determined to be \$75,213,519.

4 54. Navopache's present rates and charges produced adjusted test year operating income
5 of \$2,194,636, based on operating revenues of \$47,661,234 and operating expenses of \$45,466,598.

6 55. The rates and charges approved herein will increase revenues by \$3,413,663, or a 7.16
7 percent increase, resulting in net operating income of \$5,608,299.

8 56. The rates and charges approved herein will yield a rate of return of 7.46 percent on
9 Navopache's FVRB, which is reasonable under the circumstances of this case.

10 57. The cost of service study presented by Navopache in this proceeding should be
11 accepted.

12 58. At the end of the test year, Navopache's operating TIER and DSC levels were 0.89
13 and 1.16, respectively.

14 59. With the rate increase authorized herein, Navopache's operating TIER and DSC will
15 increase to 2.27 and 1.84, respectively, and Navopache's cash flow will be adequate to support the
16 debt service requirements on the full amount of the \$49,329,000 in financing authorized in Decision
17 No. 72550 (August 24, 2011).

18 60. The rate design included in Navopache's Post-Hearing Final Schedules should be
19 adopted. A copy of that rate design has been reproduced and attached hereto as Exhibit A.

20 61. Navopache's updated Policy Manual, presented at the hearing as Hearing Exhibit A-6,
21 should be approved, with the modification that the costs of metering equipment and transformers are
22 excluded when calculating the customer's required contribution charge under Navopache's Line
23 Extension Policy.

24 62. The fee schedule included in Navopache's Post-Hearing Final Schedules should be
25 adopted. A copy of that fee schedule has been reproduced and attached hereto as Exhibit B.

26 63. Navopache should be required to honor written line extension estimates provided by
27 Navopache within six months preceding the date of this Decision, provided that the prospective
28 customer proceeds with construction of the line extension either within six months of the date of the

1 estimate, or within 90 days of this Decision, whichever period of time is the greater.

2 64. Navopache should be required to provide notice to those prospective customers to
3 whom it has provided written line extension estimates within 12 months preceding this Decision of
4 the new Line Extension Policy, and of the timeframe for honoring existing written line extension
5 estimates ordered herein.

6 65. Navopache should be required to file in this docket, within 90 days of this Decision,
7 for Commission approval, a separate tariff describing its bill estimation methodologies that addresses
8 the seven terms and conditions recommended by Staff as set forth in Findings of Fact No. 47 above.

9 66. A DSM adjustor mechanism should be established for Navopache in this rate case.
10 The DSM adjustor mechanism should be assessed on a per-kWh basis, and should appear as a
11 separate line item on customer bills, showing the unit charge and the number of kWh to which the
12 charge applies. The initial adjustor rate should be the same as the DSM cost recovery tariff
13 ultimately approved in Docket No. E-01787-11-0229. Subsequent changes to the adjustor rates
14 should be set in connection with each EEE Implementation Plan submitted by Navopache and
15 approved pursuant to the EEE Rules, or as otherwise ordered.

16 67. A REST adjustor mechanism should be established for Navopache in this rate case.
17 The initial adjustor rate should be set either at the rate approved in Decision No. 72383, or at the rate
18 approved in Docket No. E-01787-11-0398, if that approval comes before this Decision. Subsequent
19 changes to Navopache's REST adjustor rates should be set in connection with the annual Renewable
20 Energy Implementation Plan submitted by Navopache and approved pursuant to the REST Rules, or
21 as otherwise ordered.

22 CONCLUSIONS OF LAW

23 1. Navopache is a public service corporation within the meaning of Article XV of the
24 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

25 2. The Commission has jurisdiction over Navopache and the subject matter of the
26 application.

27 3. Notice of the application was given in accordance with law.

28 4. The rates and charges authorized herein are just and reasonable.

5. It is just and reasonable and in the public interest to approve the rate design shown in Exhibit A.

6. It is just and reasonable and in the public interest to approve the fee schedule shown in Exhibit B.

7. It is just and reasonable and in the public interest to approve the updated Policy Manual presented at the hearing as Hearing Exhibit A-6, effective with the date of this Decision, with the modification that the costs of metering equipment and transformers are excluded when calculating the customer's required contribution charge under Navopache's Line Extension Policy.

8. It is just and reasonable and in the public interest to require Navopache to honor written line extension estimates provided by Navopache within six months preceding the date of this Decision, provided that the prospective customer proceeds with construction of the line extension either within six months of the date of the estimate, or within 90 days of this Decision, whichever period of time is the greater.

9. It is just and reasonable and in the public interest to require Navopache to provide notice to prospective customers to whom it has provided written line extension estimates within 12 months preceding this Decision of the new Line Extension Policy and the timeframe for honoring existing written line extension estimates ordered herein.

10. It is just and reasonable and in the public interest to require Navopache to file in this docket, within 90 days of this Decision, for Commission approval, a separate tariff describing its bill estimation methodologies that addresses the seven terms and conditions recommended by Staff as set forth in Findings of Fact No. 47 above.

11. It is just and reasonable and in the public interest to establish a DSM adjustor mechanism as discussed herein.

12. It is just and reasonable and in the public interest to establish a REST adjustor mechanism as discussed herein.

ORDER

IT IS THEREFORE ORDERED that Navopache Electric Cooperative, Inc., is hereby directed to file on or before July 31, 2012, tariffs with a new schedule of electric rates and charges consistent

1 with the rate design shown in Exhibit A and the fee schedule shown in Exhibit B, increasing
2 operating revenues by \$3,413,663.

3 IT IS FURTHER ORDERED that the revised schedules of rates and charges shall be effective
4 for all service rendered on and after August 1, 2012.

5 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. shall notify its
6 customers of the revised schedules of rates and charges authorized herein by means of an insert, in a
7 form acceptable to Staff, included in its next regularly scheduled billing.

8 IT IS FURTHER ORDERED that the updated Policy Manual presented at the hearing as
9 Hearing Exhibit A-6 is hereby approved, effective with the date of this Decision, with the
10 modification that the costs of metering equipment and transformers are excluded when calculating the
11 customer's required contribution charge under Navopache's Line Extension Policy.

12 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. shall honor written
13 line extension estimates provided by Navopache within six months preceding the date of this
14 Decision, provided that the prospective customer proceeds with construction of the line extension
15 either within six months of the date of the estimate, or within 90 days of this Decision, whichever
16 period of time is the greater.

17 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. shall provide notice
18 to prospective customers to whom it has provided written line extension estimates within 12 months
19 preceding this Decision of the new Line Extension Policy and the timeframe for honoring existing
20 written line extension estimates ordered herein.

21 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. shall file with Docket
22 Control, as a compliance item in this docket, within 90 days of this Decision, for Commission
23 approval, a separate tariff describing its bill estimation methodologies that addresses the seven terms
24 and conditions recommended by Staff as set forth in Findings of Fact No. 47 above.

25 IT IS FURTHER ORDERED that a DSM adjustor mechanism is established for Navopache
26 Electric Cooperative, Inc. as discussed herein

27 ...
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1 IT IS FURTHER ORDERED that a REST adjustor mechanism is established for Navopache
2 Electric Cooperative, Inc. as discussed herein.

3 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
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6 CHAIRMAN

COMMISSIONER

8 COMMISSIONER

COMMISSIONER

COMMISSIONER

9
10 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
11 Executive Director of the Arizona Corporation Commission,
12 have hereunto set my hand and caused the official seal of the
13 Commission to be affixed at the Capitol, in the City of Phoenix,
14 this _____ day of _____, 2012.

14 ERNEST G. JOHNSON
15 EXECUTIVE DIRECTOR

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17 DISSENT _____

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19 DISSENT _____
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SERVICE LIST FOR: NAVOPACHE ELECTRIC COOPERATIVE, INC.

DOCKET NO. E-01787A-11-0186

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Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

EXHIBIT A

Power Cost, Per kWh Sold	\$0.066160
PCA Base Cost, per kWh Sold	\$0.066160
PCA Factor, per kWh Sold	\$0.000000

Residential

Customer Charge	\$19.50
First 400 kWh per month	\$0.078580
Over 400 kWh per month	\$0.119070

Residential – Time of Use*

Customer Charge	\$26.00
On Peak Energy Charge, per kWh	\$0.144390
Off Peak Energy Charge, per kWh	\$0.055840

*Available on 12 month or 6 month (Oct-March) basis

Commercial and Industrial

Customer Charge, Secondary	\$120.00
Customer Charge, Primary	\$244.00
Demand Charge, per Billing kW	\$9.90
Energy Charge, per kWh	
First 300 kWh per billing kW	\$0.077550
Over 300 kWh per billing kW	\$0.029020
Primary Discount	3.00%

Commercial and Industrial – Time of Use

Customer Charge, Secondary	\$155.00
Customer Charge, Primary	\$244.00
Demand Charge, per Billing kW	\$9.80
On-Peak Demand Charge, per Billing kW	\$14.50
Energy Charge, per kWh	\$0.02552
Primary Discount	3.00%
Power Cost, per kWh Sold	\$0.066160
PCA Base Cost, per kWh Sold	\$0.066160
PCA Factor, per kWh Sold	\$0.000000

Commercial and Industrial – Interruptible

Customer Charge	\$488.00
Demand Charge, per Billing kW	\$9.80
On-Peak Demand Charge, per Billing kW	\$22.51
Energy Charge, per kWh	\$0.03202
Primary Discount	3.00%

Small Commercial

Customer Charge	\$25.00
Energy Charge, per kWh	\$0.09826

EXHIBIT A**Small Commercial – Time of Use***

Customer Charge	\$34.55
On Peak Energy Charge, per kWh	\$0.155100
Off Peak Energy Charge, per kWh	\$0.065540

*Available on 12 month or 6 month (Oct-March) basis

Irrigation

Customer Charge	\$38.00
Horsepower Charge, per installed HP	\$0.00
NCP Demand Charge, per NCP Billing	\$5.00
kW Energy Charge, per kWh	\$0.090020

Irrigation – Time of Use

Customer Charge	\$43.00
Horsepower Charge, per installed HP	\$0.00
NCP Demand Charge, per NCP Billing	\$5.25
On-Peak Demand Charge, per Billing kW	\$9.00
On-Peak Energy Charge, per kWh	\$0.040230
Off-Peak Energy Charge, per kWh	\$0.040230
Power Cost, per kWh Sold	\$0.066160
PCA Base Cost, per kWh Sold	\$0.066160
PCA Factor, per kWh Sold	\$0.000000

Security Lighting – Consumer Owned

175 Watts MV	75 kWh/Mo	\$8.72
250 Watts MV	110 kWh/Mo	\$11.29
400 Watts MV	175 kWh/Mo	\$18.49
100 Watts HPS	34 kWh/Mo	\$5.65
150 Watts HPS	50 kWh/Mo	\$7.99
250 Watts HPS	85 kWh/Mo	\$10.51

Security Lighting – Cooperative Owned

175 Watts MV	75 kWh/Mo	\$10.53
250 Watts MV	110 kWh/Mo	\$13.74
400 Watts MV	175 kWh/Mo	\$22.23
100 Watts HPS	34 kWh/Mo	\$8.75
150 Watts HPS	50 kWh/Mo	\$11.09
250 Watts HPS	85 kWh/Mo	\$13.61

Street Lighting

175 Watts MV	75 kWh/Mo	\$10.53
250 Watts MV	110 kWh/Mo	\$12.74
400 Watts MV	175 kWh/Mo	\$22.23
1,000 Watts HPS	435 kWh/Mo	\$40.18
100 Watts HPS	34 kWh/Mo	\$5.65
150 Watts HPS	50 kWh/Mo	\$7.99
250 Watts HPS	85 kWh/Mo	\$10.51

EXHIBIT BPOLICY MANUAL
SECTIONDESCRIPTIONFEE

2.55	Reconnection Fee During Regular Service Hours.....	\$70.00
2.55	Reestablishment Fee During Regular Service Hours.....	90.00
2.55	Relocation or Upgrade of Service Facility that requires two (2) trips to service location during Regular Service Hours.....	50.00
2.55	Relocation of Service Wires and Meter for Temporary to Permanent Location during Regular Service Hours.....	75.00
2.55 & 2.56	Service Calls pursuant to 2.55.A and After Regular Service Hours:	Actual Labor, Material, Equipment & Administrative Costs as Established by Cooperative Plus Average Cost Per Mile
2.57	Establishment Fee.....	50.00
2.57	Service Fee for Each Additional Service or Location Change to New Service Address.....	25.00
2.57	Service Connection Callbacks.....	25.00
2.57	Service Violation Fee (First Violation).....	100.00
2.57	Service Violation Fee (Additional Violations).....	150.00
2.59	Special Meter Readings (Check Readings).....	25.00
2.72	NSF Fee.....	30.00
2.74	Late Payment Interest Fee.....	1.5%
2.82	Field Collection re Delinquent Accounts.....	25.00
3.01	Meter Test Fee.....	50.00
4.60	Temporary and Doubtful Permanency Service.....	Estimated Labor, Material, Equipment & Administrative Costs as Established by Cooperative Plus Average Cost Per Mile
N/A	Upgrade of meter (at customer's request).....	50.00